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Recession Not Over, Although Optimism is on the Rise and the Wealthy are Getting Wealthier, According to New American Express Publishing Corporation and Harrison Group Study

Despite Financial Challenges, Respondents are Emerging More Confident, in Control and Happier!

LAS VEGAS, NV (April 27, 2010) – New research about America's wealthiest consumers was released today at the American Express Publishing Luxury Summit in Las Vegas. The results confirm that although discretionary spending is growing only modestly, there are changes occurring within the mindsets of today's affluent consumer that can drive America forward in the coming year. Some of the highlights announced by Dr. Jim Taylor, vice chairman at Harrison Group, and Cara David, senior vice president, Corporate Marketing & Integrated Media of American Express Publishing, include:

- **Luxury consumption to increase by \$28 billion**
- **Affluent and wealthy consumers have become... Happier!**
- **The wealthiest consumers have become... Wealthier**
- **Re-emerging consumers are conducting "Precision-Shopping"**
- **They are increasingly immune to persuasion**
- **Xer professionals are now experiencing an "Economic Status Jam"**
- **Social media remains mainly social, but desire digital information and content is growing... but not at the expense of traditional media**
- **Resourcefulness, self-sufficiency, value and needs-based purchasing dominate**

These findings come from the **2010 Survey of Affluence and Wealth in America**, produced by American Express Publishing and Harrison Group. Fielded monthly, 1,910 respondents among the top 10 percent of Americans have been interviewed in 2010 so far. The mean sample household income is \$520,000. Each respondent completed a 50-minute questionnaire, covering topics such as shifting attitudes and marketplace priorities, as well as current and anticipated spending on over 18 categories. This is the fourth year of this study, allowing for the tracking of attitudes and behaviors over these difficult years.

Spending is Beginning to Rebound:

For the first time in three years, luxury spending is experiencing a comeback, aided by:

1. The number of discretionary households has increased for the first time since 2007. 400,000 new households have joined the ranks of affluence and wealth (10.6MM to 11.0MM) in the past year.
2. The wealthiest got even wealthier, while mainstream affluence continued to struggle. In the past year, *mean* incomes have increased by 2 percent, while *median* incomes dropped by 15 percent -- meaning those in the top 2 percent are driving the overall increase. Just as telling is the fact that mean assets increased 32 percent among the top 2 percent, compared to 13 percent for the remaining 8 percent of this group.

3. Guilt or angst over purchasing luxury goods is lessening. Fewer people say they feel guilty purchasing luxury goods (from 54 percent to 45 percent in past year) and more say they like it when others recognize them as being wealthy (from 30 percent to 42 percent in past year).

These shifts will translate into an estimated surge of \$56 billion in affluent and wealthy discretionary spending and an estimated \$28 billion net impact on the luxury market – an increase of between 6 percent and 8 percent. Key categories include automotive, travel, services, and children’s clothing.

Dr. Taylor believes that we are at the dawn of a new economy. "Interest in luxury is trending up, but this interest is qualitatively different from the unbridled enthusiasm that characterized the ‘glutonomy’ of the mid-2000s. People take pride in the way they have managed their finances and family through the recession." Dr. Taylor explained, adding, “we are decidedly not seeing the return of the old economy.”

Amid the Difficulty, a Rise in Optimism, Happiness and Success:

Today, 94 percent of affluent Americans feel that the U.S. is still in a recession and 60 percent believe that the recession will last at least another year. In spite of these attitudes, for the first time since 2008, optimism in one’s own future and in the future of children are both above 50 percent.

Families have turned inward to get themselves through these unsettling times. They’ve hunkered down and become “New Age Pioneers in a World of Resourcefulness.” These new pioneers are more on top of their household finances, they communicate more clearly with loved ones and they take pride in shopping smarter.

Affluent and wealthy American consumers see themselves as succeeding in the present economy (75 percent) but generally judge everybody else as struggling. “There appears to be a rising tide of insulating within families and choice of friends, apparently putting the concept of community at some risk,” says Taylor.

The affluent and wealthy feel life for Americans has gotten harder, and Americans have become more dependent on others. However, affluent consumers are more likely to say they are self-sufficient, resourceful and happy! Seven in ten rate themselves as “very happy” (top three box of ten-point scale), versus only four in ten in 2007. Also, they are more likely to rate themselves as successful today than before the recession began... only now they are feeling more successful at *life* and not just at work.

"Today's upscale consumers remain proud of their resourcefulness and their high value expectations," commented Cara David. "Cutting back has made these individuals feel smart rather than deprived. Exercising prudence and finding value remain paramount in the shopping process for these consumers. Luxury shoppers have become tremendously resourceful and independent during this recession and have re-prioritized what they take pleasure in – and this includes their shopping mindset," she said.

"These individuals are purchasing *because* they're happy," Dr. Taylor added. "They're not purchasing to become happy. Retail therapy is dead – shopping is not the solution to the problem of unhappiness, it is an expression of good will and happiness."

Emergence of Precision Shopping:

Few luxury consumers are buying across categories with equal fervor. Instead, people are more likely to have become passionate, specialist consumers who spend the lion’s share of their disposable income in one or two categories. As a result, market categories like travel, fashion, finance and automobiles have become highly segmented.

For example, about one million households qualify as being in the top-tier of travelers. Although this group represents only nine percent of total affluence and wealth, they account for 42 percent of the total category spend.

Other categories analyzed in the study include:

- Home Spenders: 17 percent account for 33 percent of category spend
- Fashion Spenders: Nine percent account for 39 percent of category spend
- Auto-focused: 14 percent account for 40 percent of category spend
- Finance Spenders: 13 percent account for 51 percent of category revenues

Precision shopping goes hand-in-hand with connoisseurship. Affluent and wealthy consumers are doing research and employing due diligence principles to gain detailed knowledge and sophistication about a specific subject or interest. Precision shoppers exhibit real intent and study when making purchases.

Self-Sufficiency Has Resulted in Consumers More Immune to Persuasion:

Due diligent precision consumers are making it difficult for advertisers to influence them. Eight in ten report getting most of their information by conducting their own research. They are looking for investment-grade products high in quality, craftsmanship and service. Today it's more about "what I need or what my family needs." It is no longer about keeping up with the Jones. In a sense, today's affluent have become pioneers of the new "Econo-Me." They feel they're in complete control and can't be convinced to buy what they don't want or need. Their decisions will be their decisions, based on sound reasoning.

Companies looking to embrace social media as a way to break through persuasion immunity need to be careful to not put all their resources into this one opportunity. Four in ten (37 percent) of affluent and wealthy consumers currently use Facebook, but only 3 percent say they use Facebook as a researching or purchasing tool. Facebook remains a mostly a social tool (and a game platform for many).

Use of electronic content continues to grow. Half of affluent and wealthy consumers say they read newspaper and magazine content electronically, resulting in about a quarter of all newspaper and magazine reading being done electronically. About 13 percent already own some sort of dedicated e-reader device with Generation Xer men leading the way at 19 percent.

Although affluent and wealthy consumers embrace technology, they also continue their reliance upon and enjoyment of traditional media. Newspaper and magazine reading increases with the level of one's wealth. In fact, 78 percent say they prefer reading printed magazines, even though they can find most of the same information online.

The Great Economic Compression:

Even among these successful households, there remains a greater fear of job loss today. Twenty-six percent of respondents worry they could lose their job and two out of ten are seriously concerned their company won't survive the recession.

Only 27 percent of wealthy baby boomers say they've achieved their dreams. Says David, "They are not pursuing their dreams as much as they are reacting in real time to the circumstances that affect them. The power of the future has receded so the power of the present is everything. This has changed the way they view retirement, investment, value and their own economic 'clock.'" David asks, "What does this say about the future prospects of highly educated, affluent fast-track Xers? Nearly 40 percent say their career has stalled."

A "Boomer bottleneck" is clearly emerging within the elite workforce. "While Baby Boomers are feeling at risk, Xers have realized that Baby Boomers are not leaving their jobs. Therefore, they are worried about their careers. Economic mobility for Xers is substantially restricted, so they feel a real absence of opportunity," commented Taylor.

Looking Ahead:

Resourcefulness, self-sufficiency, value and needs-based purchasing will continue to be the dominant purchasing personalities for quite some time, but this shouldn't be confused with affluent and wealthy consumers turning their back on luxury. Luxury and value can co-exist and we've shown that positive attitudes are finally emerging. Taylor explains, "Back in 2006, we noted that, although spending levels hadn't changed yet, affluent and wealthy consumers were participating in what we defined as an 'Emotional Recession.' It was the consumers' emotions and attitudes that preceded the withdrawing from the marketplace later in 2007." Taylor continues, "Today, we are witnessing an emergence of a possible 'Emotional Recovery.' We're looking for this recovery to set the stage for an *economic* recovery sometime in the near future."

David concludes, "It is important to restate the fact that this recovery will not be a return to the same consumerism of pre-2007. This is the new "Econo-Me" and we all need to respect the acculturation of due diligence, no matter how wealthy one may be. Looking ahead, luxury will now need to include convenience, immediacy *and* negotiation. This new dynamic has staying power."

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About Harrison Group

Harrison Group (www.harrisongroupinc.com) is one of the country's leading marketing and strategic research consulting firms. Based in Waterbury, Connecticut, Harrison Group specializes in concept testing, forecasting, segmentation, branding and market modeling for some of America's leading companies, including financial services firms, software and technology companies, retailers, consumer package goods companies, pharmaceutical manufacturers and interactive entertainment companies.

About American Express Publishing Corporation

American Express Publishing Corporation is an authoritative content company primed to deliver lifestyle expertise that informs choices, enriches perspective and empowers affluent and accomplished people -- and the businesses that serve them -- to make decisions and lead extraordinary lives. A wholly-owned subsidiary of American Express Company, American Express Publishing magazine brands are Travel + Leisure, Food & Wine, Departures, and Executive Travel. The company also produces a variety of travel, cooking, wine, time management, and financial books and products, creates online content, operates luxury-marketing events and creates custom print and online programs for clients.

About the Survey of Affluence and Wealth in America, Produced by American Express Publishing Corporation and Harrison Group

Now in its fourth year, this research looks at affluent and wealthy consumer attitudes and values and keeps track of marketplace priorities and behaviors, covering over 18 product and service categories and nearly than 200 brands. The findings in this release are derived from interviews among 1,910 among the top 10 percent of American affluence and wealth. Interviews took place January-April 2010 via a 50-minute online survey.

Study results are fielded monthly, analyzing samples of four tiers of affluence and wealth within the following household discretionary income groups: Upper Middle Class (\$100K to \$125K); Affluent (\$125K to \$249K); Super-Affluent (\$250K to \$499K) and Wealthy (\$500K+). Results cover attitudinal and economic trending as well as marketplace priorities. The mean household income for our sample is \$520,000.

The study is nationally projectable; with the sampling error estimated to be +/- 5 percent at the 95 percent confidence level. The surveyed households represent just 10 percent of the American population, yet account for 50 percent all retail sales, 70 percent of all margins at retail, and hold approximately 80 percent of all non-retirement account assets.

	Upper Middle Class	Affluent	Super Affluent	Wealthy
Discretionary Income	\$100K-\$124K	\$125K-\$249K	\$250K-\$499K	\$500K+
Average Income	\$146K	\$235K	\$427K	\$1.57MM
Average Assets	\$2.3MM	\$3.1MM	\$6.0MM	\$12.2MM
Households	6.3MM	2.5MM	1.5MM	677,000
Percent of U.S. Households	5.7%	2.3%	1.4%	.62%